

# 7 In my view: On the road to 2030 and beyond – tackling inequality requires fair taxation

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How many zeros are there in a billion? Most of us need to at least pause and think – or ask Google – to come up with the right answer. There are nine zeros in a billion. A figure well beyond most of our imaginations, especially when we consider what a billion dollars means in personal wealth.

Currently, there are around 3 000 billionaires worldwide – most of them men. They are likely to have earned their fortunes as chief executive officers or as the main shareholders of multinational companies, and generally hold their money in financial assets such as stocks and bonds, or in real estate, yachts and diamonds.

Despite their wealth, however, you would be surprised to see how little income they earn – or at least, how little taxable income. Worldwide, the super-rich pay less in income tax relative to their wealth than the average wageworker does. In fact, global billionaires only pay the equivalent of 0.5% or less of their wealth in personal income tax (EU Tax Observatory, 2023<sup>[1]</sup>).

This is because the super-rich do not work for a wage, but instead generate their income by investing their assets. And investment income is taxed differently than wage income – usually at a lower rate. In Germany, for example, capital income is taxed at a rate of 25% while labour income is taxed at up to 45%. Moreover, billionaires are often able to structure their wealth so that, on paper, it generates hardly any taxable income. They use the many tax exemptions available, shift their wealth to low-tax jurisdictions and get help from the huge tax-planning industry.

This is all legal. But in my view, it is neither fair nor economically efficient. Current tax systems worldwide are clearly designed to favour the super-rich. To address this imbalance, Brazil introduced a proposal for a global tax on billionaires as part of its G20 presidency. The proposal suggests that billionaires pay an annual levy of at least 2% of their total net wealth. If they have already paid this amount in the form of income tax, they are exempt. If, however, they have managed to avoid paying this amount in income tax, they have to pay the billionaire's tax.

Brazil's proposal comes at a pivotal moment for two reasons.

First, because the world's major challenges require – in addition to political leadership – a substantial increase in financial commitments. In times of stretched public budgets, a tax of this kind could make a real difference in tackling global challenges such as climate financing and pandemic prevention. Estimates suggest that it could generate up to USD 250 billion in annual revenues globally – this is roughly equivalent to the amount of economic damages caused by extreme weather events in 2023 (Munich RE, 2024<sup>[2]</sup>). This is money that is urgently needed.

Second, because wealth inequality is on the rise worldwide. Oxfam's latest report revealed that, although the majority of humanity has become poorer in recent years, the world's five richest men have more than doubled their wealth since 2020 (Oxfam International, 2024<sup>[3]</sup>). The richest 1% of the world's population owns 38% of its total wealth while the poorest half owns just 2% (Chancel et al., 2021<sup>[4]</sup>). The design of tax systems is not only one of the root causes of this rising inequality, however; it is also one of the most effective instruments governments have to counteract it.

In my view, tackling inequality is key for making real progress towards the implementation of the 2030 Agenda. A decade ago, the OECD already highlighted the fact that the widening gap between rich and poor slows economic growth because it limits opportunities for lower income groups and inhibits innovation. It also underlined the fact that inequality weakens social cohesion and ultimately governments' ability to address urgent reforms such as the green transformation (OECD, 2015<sup>[5]</sup>). It is also disastrous for our climate, because wealth increases people's ecological footprint exponentially. A three-hour flight on a private jet emits more carbon dioxide than the average person emits in a year.

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Of course, a billionaire's tax cannot be the only answer to tackling inequality and creating fiscal capacity to address global challenges. Such a reform needs to be embedded in broader efforts to implement more progressive fiscal policies. And to limit opportunities for shifting wealth offshore, it needs commitment from governments worldwide.

However, a billionaire's tax would nevertheless be an important step towards closing the gap between rich and poor. It would make tax systems fairer by placing more of the burden of taxation on those with the greatest ability to pay, rather than those with the least ability to avoid taxes. And lastly, it would unlock additional revenue for investing in public goods such as a healthy climate, education and infrastructure – investments from which billionaires ultimately also benefit.

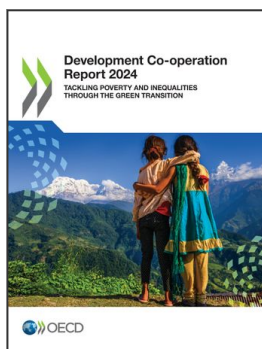
In my view, it is time to be bold. Fighting inequality requires political commitment – commitment to hold everyone in society responsible for the common good. What the international community managed to do with the global minimum tax on multinational companies, it can do with billionaires, too.

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[3]



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